

**D.T.E. \_\_\_\_ - \_\_\_\_ - Fitchburg Gas and Electric Light Company**

**Electric Default Service  
Contract Award and Bid Evaluation**

File Date: April 23, 2003

Fitchburg Gas and Electric Light Company (“FG&E”)  
Electric Default Service  
Contract Award and Bid Evaluation

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***Introduction***

On Tuesday, March 25, 2003, FG&E announced that its Request for Proposals (“RFP”) for Default Service for the period of June 1, 2003 through November 30, 2003 was available. FG&E accomplished market notification of the RFP by announcing the availability of the RFP electronically directly to participants in NEPOOL, in particular, to the members of the NEPOOL Markets Committee. In addition, FG&E retained a list of energy companies who had previously requested copies of FG&E RFPs, and contacted those companies to solicit their interest. The RFP package was ultimately disseminated electronically to 21 individuals representing 17 separate energy companies. A copy of the RFP is attached as Tab A. Throughout the solicitation, FG&E responded to bidder questions and actively participated in maintaining bidder interest in the solicitation through regular telephonic and electronic communications.

The RFP sought fixed monthly pricing for two groups of customers: Residential and Small C&I customers (“Small Customer Group”) and Medium and Large C&I customers (“Large Customer Group”). FG&E also required suppliers to provide Renewable Energy Certificates (“RECs”) that would comply with the Renewable Energy Portfolio Standards (“RPS”) that became effective on January 1, 2003. In this way, FG&E is able to assure compliance with 225 CMR 14.00.

The RFP described the particulars of FG&E’s Default Service, the related customer-switching rules, and the form of power service sought. As part of the RFP process, and to gain the greatest level of market interest in supplying the load, FG&E provided potential bidders with historic hourly loads for FG&E’s Default Service (all customer rate classes)

from January 1, 2000 through March 20, 2003, and historic hourly loads for each customer group mentioned above from December 1, 2001 through March 20, 2003. For background, FG&E also provided DOER 110 reports from January 2000 through February 2003. The DOER 110 report details by customer rate class the number of customers and monthly retail billed kWh sales delivered to customers receiving Standard Offer Service, Default Service and competitive generation supply. FG&E also provided information instructing potential bidders in accessing class average load shape (8760 hours) data on FG&E's website. Finally, FG&E provided estimated monthly loads for each customer group. FG&E uses these estimated monthly loads to evaluate and weight competing bids for each customer group in terms of price.

On Wednesday, April 9, 2003, FG&E received proposals from several different bidders that included detailed background information on the bidding entity and initial pricing terms. A majority of these bidders submitted indicative bids to serve both customer groups and no bids were contingent upon the bidder winning both customer groups. FG&E then proceeded to review the proposals and work with the bidders to establish and evaluate their creditworthiness, their capability of performing the terms of the Default Service in a reliable manner, and their willingness to enter into contract terms acceptable to FG&E. All bidders were invited to submit final bids.

On Tuesday April 15, 2003, FG&E received final pricing from bidders and conducted its evaluation. Not all bidders that provided an indicative bid chose to participate in the final round. One bidder indicated that its final bid was contingent upon winning both customer groups. FG&E awarded its Small Customer Group Default Service load and its Large Customer Group Default Service load to two different suppliers for the period of June 2003 through November 2003. All other bidders were notified that they were not selected.

### ***Selection of Winning Bidder(s)***

FG&E based its selection of winning bidders on both quantitative and qualitative criteria. As mentioned, the RFP requested fixed prices by month for two groups of customers: a Small Customer Group, comprised of residential and small C&I customers, and a Large Customer Group, comprised of medium and large C&I customers. Accordingly, the bidders had the option of bidding differentiated pricing for each customer group for each month of the six-month supply period. When the indicative bids were received, FG&E compared the proposed pricing strips over the six-month period by calculating weighted average prices for the term, using the forecast for the class-differentiated default service loads that had been prepared prior to issuing the RFP. The pricing comparison prepared by FG&E is attached in Tab B.

FG&E then evaluated the non-price characteristics of each proposal. Non-price issues included consideration of whether each bidder proved creditworthy, whether the bidder could provide confidence relative to its ability to perform and whether the bidder was agreeable to the contract terms sought by FG&E. In making its determinations, FG&E scoped each bidder's ability to match FG&E's non-price preferences in advance of receiving final bids. FG&E's comparison of non-price issues is also attached in Tab B.

When final bids were received, bids were reviewed in terms of price and non-price considerations. The leading candidates for each customer group in terms of price also had high marks in terms of non-price considerations and neither of these bidders had made their pricing contingent upon winning both customer groups. Accordingly, FG&E awarded the contracts for default service for the respective customer groups to these winning bidders, who will become FG&E's suppliers of default service for the period of June 1, 2003 through November 30, 2003.

***Tab A.      FG&E Default Service RFP***

***Tab B. Comparison of Bids - CONFIDENTIAL***

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